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Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 EB-08 COME-00 TRSE-00 AID-05
CIAE-00 FRB-03 INR-10 NSAE-00 USIA-06 XMB-02
OPIC-03 SP-02 LAB-04 SIL-01 OMB-01 L-03 SS-15
/074 W
----------018363 290436Z /64
P 281223Z MAR 78
FM AMEMBASSY TEHRAN
TO SECSTATE WASHDC PRIORITY 7596

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EO 11652: N/A
TAGS: EFIN, BDIS, EINV, IR
SUBJ: GENERAL MOTORS

REF: (A) STATE 075892, (B) TEHRAN 2827

1. DURING DISCUSSION OF OTHER MATTERS WITH SHAH MORNING MARCH 28, I ASKED WHETHER HE WAS FAMILIAR WITH PROBLEMS CURRENTLY AFFECTING GENERAL MOTORS. HE ANSWERED AFFIRMATIVELY AND FORCEFULLY IN SUCH WAY AS TO MAKE CLEAR THAT HE WAS PERSONALLY CALLING THE SHOTS IN THIS EXERCISE.

2. I THEN ASKED WHETHER HE SAW ANY VALUE IN HAVING GM PRESIDENT ESTES COME HERE FOR PERSONAL MEETING WITH HIM. AGAIN HE HAD HIS ANSWER IMMEDIATELY READY. ESTES WOULD BE WELCOME PROVIDED HE IS PREPARED TO BEGIN A REAL MANUFACTURING PROGRAM IN IRAN RATHER THAN A SIMPLE ASSEMBLING OPERATION. HE SAID CURRENT GM OPERATIONS RESULT IN CONSIDERABLE PROFITS TO VARIOUS GM SUBSIDIARIES, BUT DO NOTHING TO ADVANCE IRANIAN INDUSTRY OR TECHNOLOGY.

3. SHAH WENT ON TO SAY THAT FORD, IN CONTRAST TO GM, WAS PREPARED ENTER INTO PROGRESSIVE MANUFACTURING ARRANGEMENT,
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UNDER WHICH IRANIAN COMPENENTS WOULD BE INCREASINGLY MANUFACTURED HERE, WITH A TIMETABLE WHICH WOULD EVENTUALLY RESULT IN A PRODUCT TOTALLY MANUFACTURED IN THIS COUNTRY. HE EXPECTED, THEREFORE, TO BE ABLE TO ANNOUNCE AN AGREEMENT WITH FORD IN THE NEAR FUTURE. GM WOULD HAVE TO MATCH THIS UNDERTAKING IF IT WISHES TO STAY IN BUSINESS.

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4. I SAID I WAS CONCERNED THAT FORCING GM OUT WOULD HAVE A VERY NEGATIVE EFFECT ON U.S. BUSINESS PERCEPTIONS OF THE INVESTMENT CLIMATE HERE. SHAH DISMISSED THIS, SAYING THAT ANY SUCH EFFECTS WOULD BE NEUTRALIZED BY ANNOUNCEMENT OF FOR WILLINGNESS TO INVEST HERE.

5. ACTION REQUESTED: SUGGEST DEPT CONVEY GIST OF THIS CONVERSTATION TO GM OFFICIALS AND ASSURE THAT ESTES UNDERSTANDS CONDITIONS WHICH SHAH HAS STIPULATED WITH RESPECT TO HIS PROPOSED VIST TO IRAN. I AM INFORMING LOCAL GM MANAGING DIRECTOR OF THIS CONVERSATION AND STILL INTEND DISCUSS SUBJECT FURTHER WITH MINISTER OF INDUSTRIES. IN MEANTIME, IF ESTES INTENDS TO COME, HE SHOULD MAKE ARRANGEMENTS FOR AUDIENCE THROUGH ZAHEDI.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AUTOMOTIVE INDUSTRY, DIPLOMATIC DISCUSSIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 28 mar 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978TEHRAN02994
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780135-0807
Format: TEL
From: TEHRAN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780316/aaaaansd.tel
Line Count: 77
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 9c2efebb-c288-dd11-92da-001cc4696bcc
Office: ACTION NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 STATE 75892, 78 TEHRAN 2827
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3177657
Secure: OPEN
Status: NATIVE
Subject: GENERAL MOTORS
TAGS: EFIN, BDIS, EINV, IR, GENERAL MOTORS, (PAHLAVI, MOHAMMAD REZA)
To: STATE
Type: TE
vdkvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/9c2efebb-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
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US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014